

Miami-Dade Housing and Commercial Real Estate Markets

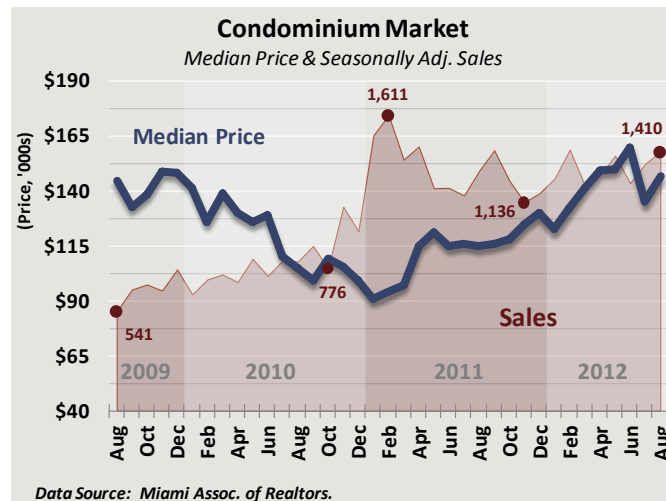
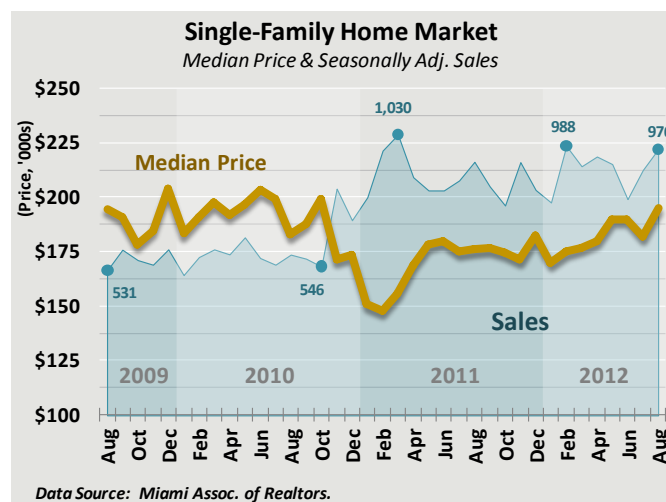
Residential Market

The residential market has made steady, moderate gains since the beginning of 2012. Prices for existing single-family homes are up 12% since January, while sales volume remains steady. Sales of condominiums have fetched 22% higher prices since the start of 2012, along with a modest increase in sales volume since the second quarter of this year. Completed foreclosures continue to decline even as initial foreclosure filings have increased, suggesting that fewer filings are ending up as actual foreclosures. Construction of residential units authorized by permit, however, have yet to experience a clear increase.

Existing single-family home sales after seasonal adjustment were up 8.5% in August from the previous month and, 5% from August of last year, with 976 sales reported. Since the beginning of 2011 sales have fluctuated between 750 and 1,000 sales. The median price has trended up during that time period increasing 11% from last August to \$195,000. Seasonally adjusted sales of condominiums are up sharply this year – 5% from July and 8% from last year, to 1,400 sales in August – after remaining essentially trapped in the 1,100 to 1,400 monthly sales range for most of 2011. The median price of condos sold in August also increased 8.5% from July, but up 27% from August of last year.

The **Case-Shiller index** from Standard & Poor's, reinforces the improving housing market conditions. This price index for the South Florida metropolitan area, which compares the most recent sales price to the price when the home was last sold, increased 5% in July over July of last year. The increase was consistent across all segments of the market. The price index for homes valued below \$150,000 was up 9% over last year. For those above \$260,000, the index was up 4% year-over-year, and homes in the middle price tier increased 7%.

Housing affordability improved despite the price increases, thanks to the decline in **interest rates** that hit record lows. The average interest rate for a 30-year fixed mortgage remained unchanged in August from July's 3.82%, more than 82 basis points (-0.82%) below the rate in August 2011. As a result, the September **housing**



affordability index, which measures the ability of the typical family to buy the median priced home, increased 1.8% year-over-year to 155. The housing affordability index at the national level was at 190, virtually unchanged from a year ago, but the higher index value indicates that the typical house remains more affordable to the average family nationally than in South Florida.

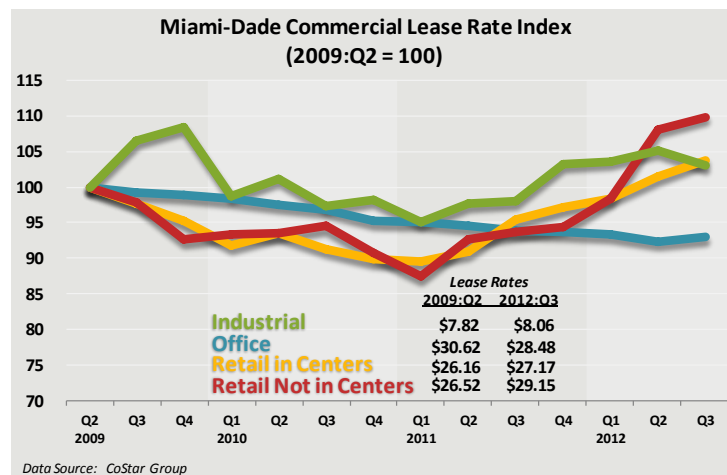
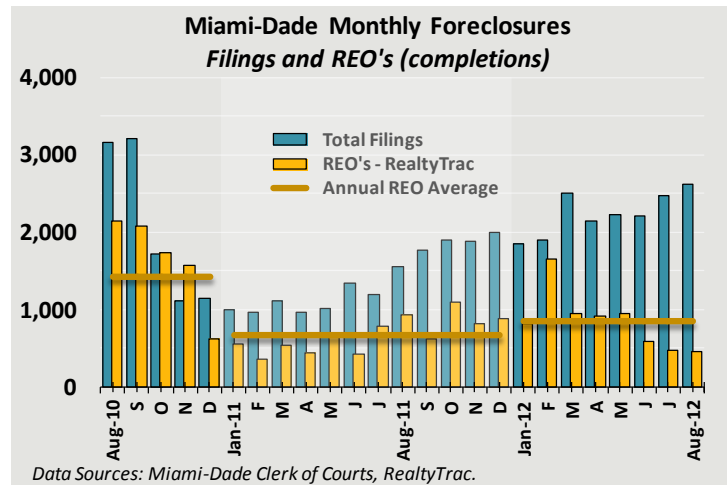
According to RealtyTrac, **foreclosures** continue to drop dramatically in Miami-Dade. There were 462 REO foreclosures in August, the point at which the lender takes ownership of the property. This represents a 50% decrease from last year, but **initial foreclosure filings** remain very high. There were 2,600 initial filings in August, an increase of 68% over last August and the highest level since the third quarter of 2010. Initial filings began climbing in the second quarter of 2011, however REO foreclosures have not followed suit. There are signs that banks and mortgage companies are taking new approaches at resolving the foreclosure process prior to bank ownership through loan restructuring, short sales or other mechanisms.

Signs of a nascent improvement are evident in the number of **building permits** at the national level, increasing in August by 28% over last year, with the value of residential construction permitted increasing 33%. Miami-Dade, however, has not followed suit. The average number of units authorized by permit in the 3-months ending in August was 261, 7% below the same month last year and near the all time low. The moderate improvement in the local housing market has not yet translated into new construction activity.

Commercial Real Estate

Office Market: Buoyed by declines in vacancy rates and the percent of space available for lease, the **average lease rate** finally ticked up to \$28.48/SF after nine straight quarters of decline. Lease rates, however, are still 12% below the peak rate set in the third quarter of 2008 at \$32.41. (These quoted rates do not reflect concessions offered by property managers.)

The **vacancy rate** in Miami-Dade's office market declined for the fourth straight quarter from a high of 14.9% in the third quarter of 2011 to 13.6% in the third quarter of 2012. This small decrease still leaves the rate nearly double the average rate of the 2006-07 period of 7.2%.



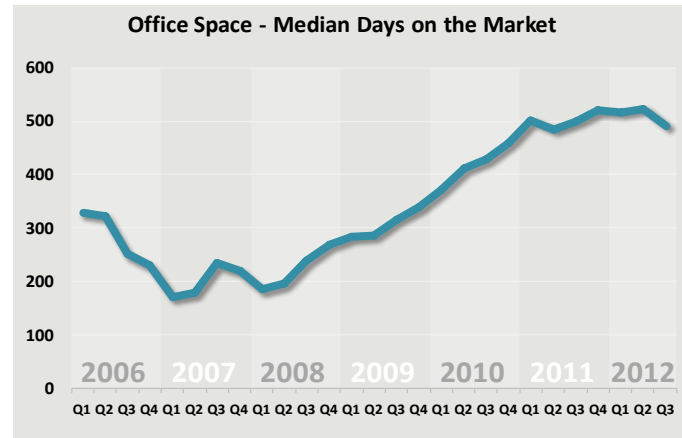
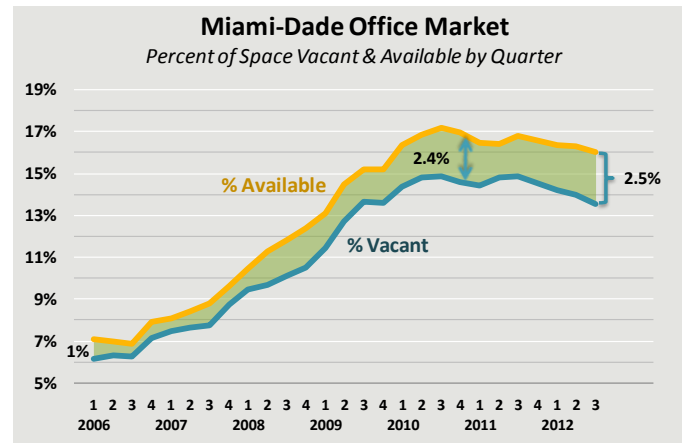
Within the submarkets of the County, the vacancy rate varies from a low of 2% in outlying parts of Miami-Dade and 3% in West Miami to 21% in Miami Lakes. The six markets that exceed the average County vacancy rate are Coral Gables (15%), Miami Airport (16%), Downtown Miami (17%), Brickell (19%), Biscayne Corridor (20%) and Miami Lakes (21%). The vacancy rate for Class A office space, which accounts for 27% of total rentable building area, was 20% in the third quarter. The rate within Class B was 14% while the Class C rate was reported at 7%.

Net absorption remained positive, at 484,000 SF on **gross absorption** of 1.5 million square feet in the third quarter. The office market has seen consistent positive net absorption beginning with the third quarter of 2011. Net absorption in the last quarter is the highest quarterly net increase since the third quarter of 2007. There were 282,000 SF of office space **under construction** in the third quarter, a modest level since the pre-recession boom years. The 90,000 SF of new **space was delivered** in the third quarter. Despite higher net absorption and less new space delivered to the market in recent months, there remains nearly 16 million SF of **office space available** countywide – a rate just over 16%. The relatively high levels of available space still on the market suggest that lease rates are not likely to register significant gains in the near future.

The median (“typical”) time on the market for office space within the County has risen from almost 7 months in 2007 to 17 months in the year ending in September. The major submarkets with a lower time-on-the-market than in the county as a whole include Coral Way, Miami Beach, Coconut Grove, Aventura, Coral Gables, Miami and Northeast Dade. The submarkets with comparatively higher than average time-on-the-market include Biscayne Corridor, Kendall, Brickell and Downtown Miami. **(Visit our website for maps showing the submarket boundaries.)** Recently recent average annual **growth in office jobs** in Miami-Dade has been approximately 1.0%, and while that pace will rise as the economic recovery gains momentum, near-term demand for office space is likely to remain tepid.

Industrial Market: The **vacancy rate** in the Miami-Dade industrial market increased 20 basis points (bps) to 6.8% in the third quarter of 2012. This is the first increase after 10 consecutive quarters of decline. The current vacancy rate is 270 bps below the peak of 9.5% set in the fourth quarter of 2009. Average vacancy rates were highest in the Central Miami industrial market at 12.5%, Miami Airport East at 9.5%, Hialeah at 8.8% and South Central Miami, at 8.2%. The lowest average vacancy rates were found in the West Miami and SW Miami-Dade submarkets.

After five consecutive quarters of increases, **lease rates** dropped 2.0% to \$8.06/SF. Average lease rates across 14 submarkets ranged from \$5.95/SF in Hialeah to \$12.27/SF in South Central Miami.



Net absorption fell sharply in the third quarter, and the average lease rate declined by 2%. Through 2010, 2011 and the first half of 2012, net absorption averaged over 600,000 SF per month. In the third quarter net absorption was negative, -441,000 SF, registering its first deficit since 2009. **Move-outs** of approximately 2.24 million SF offset **gross absorption** of 1.8 million SF.

Approximately 190,000 SF of new space was **delivered** and 565,000 SF of space was **under construction** in the third quarter. The amount of space under construction represents a 200% increase over the third quarter of last year. While the increase in space under construction is an encouraging sign of confidence in the market, it may put downward pressure on lease rates unless we see considerable improvement in net absorption.

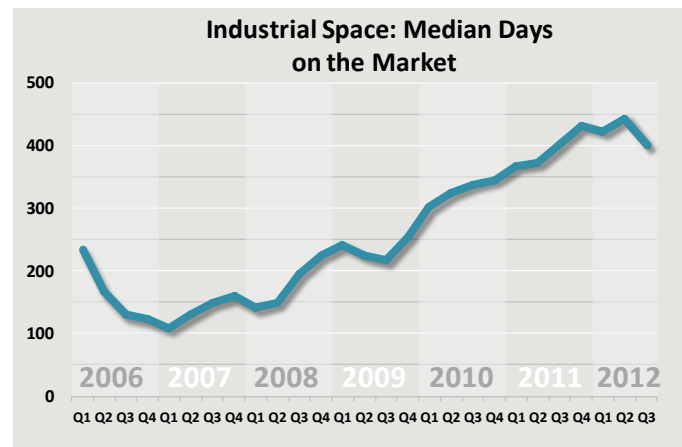
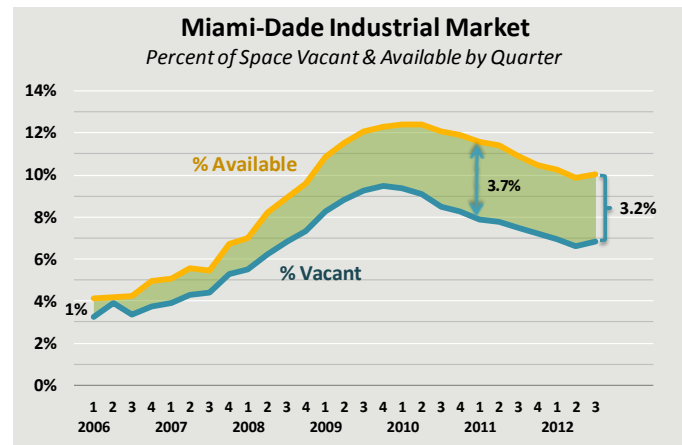
Although the percent of industrial space available for lease (i.e. vacant or occupied but available for lease) has been on a negative trend since its previous peak in 2010, the amount of **space available for lease** rose in the third quarter to more than 24 million SF. The gap between available and vacant space has also been increasing. While the space available for lease is 430,000 SF higher than the second quarter, it is still approximately 2.1 million SF less than in the third quarter of last year.

While 35% of available industrial square feet were on the market for more than 22 months in the county as a whole, the median **time-on-the-market** was just above 1 year. The time-on-the-market varied widely by location, however. The median time in West Miami/Coral Terrace was 6.5 months and more than 22 months in the Central Miami and the Miami Airport North industrial areas.

Retail Market: The retail market is divided in two segments: retail in centers, and retail not in centers (“stand-alone”). The **vacancy rate in retail centers** declined slightly (10 bps) to 4.4% in the third quarter. The vacancy rate in 2007 averaged 3.4%, but the recession led to increases in vacancy rates that peaked at 5.8% in the first quarter of 2010. Vacancy rates have dropped since then by nearly 150 bps. There are two **submarkets**, however, with much higher vacancy rates: 20% in the Biscayne Corridor and 24.5% in the Downtown area.

The **vacancy rate for stand-alone retail** has remained flat at 3.7% between the second and third quarter. The vacancy rate fell below 3% near the end of 2007 and increased through the end of 2009. The vacancy rate has been essentially unchanged since then.

Lease rates in both segments of the retail market have remained very strong and are at or near all-time highs. For retail in shopping centers, the average lease rate in the third quarter was \$27.17/SF, up 2.5% from the



previous quarter and 9% from the same quarter last year. Stand-alone retail saw lease rates rise to \$29.15, up 1.5% from the previous quarter and over 17% from the third quarter of last year.

Gross absorption of retail space in shopping centers ticked up to 470,000 SF in the third quarter, about 15,000 SF above the second quarter and about 3,000 SF above the third quarter of last year. **Net absorption**, however, slowed to 78,000 SF in the third quarter compared to 131,000 SF in 2011-Q3.

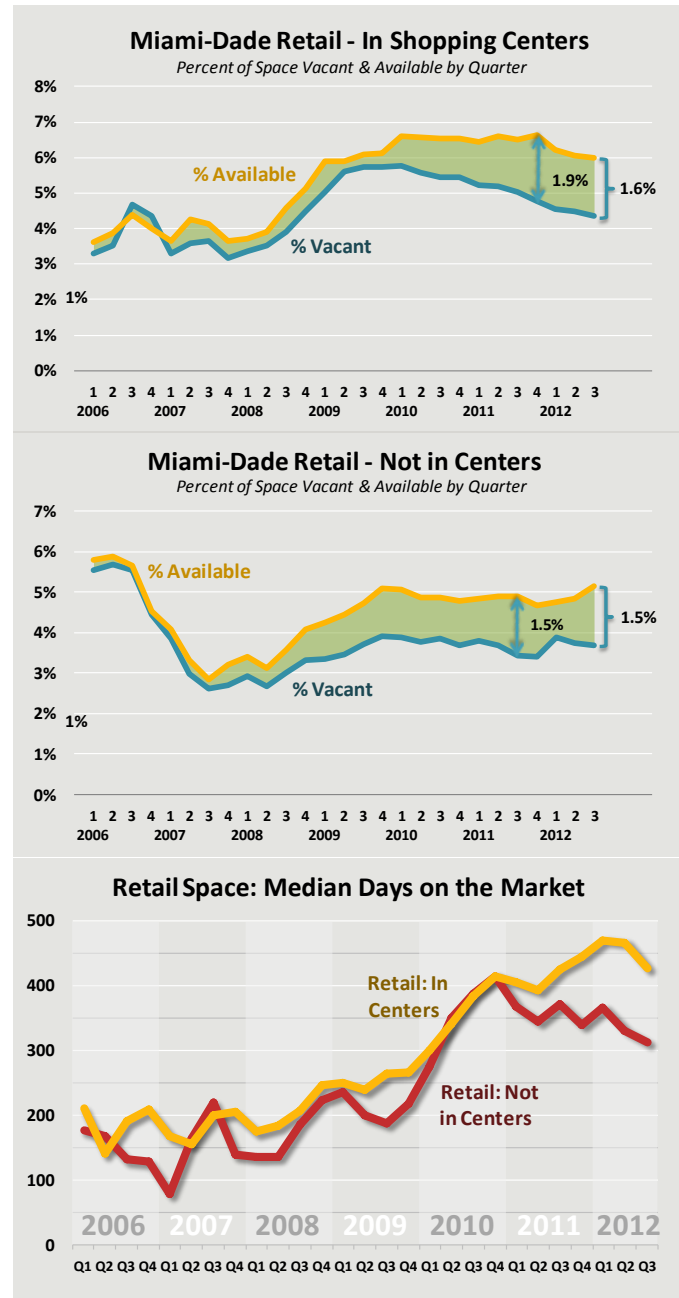
No new construction of retail space in shopping centers was **delivered** in the third quarter, but the nearly 670,000 SF under construction in the same quarter clouds the outlook for lease rates going forward. The amount of space in the construction pipeline equates to 18 months' worth of supply (based on average net absorption over the past year). In addition, the amount of space under construction as a percent of total **rentable building area** remains relatively high (6%).

The median time an available space in a shopping center spent on the market was 16 months. Retail space available in Brickell was typically on the market for less than 4 months, while the median time-on-the-market in South Dade was 20 months, 20 months in the Miami Airport area, and in Downtown Miami and the Biscayne corridor the median time-on-the-market was over 22 months.

Net absorption for stand-alone retail space, however, was negative for the third consecutive quarter (-76,000 SF). Year-to-date, net absorption has declined by 545,000 SF.

The third quarter saw about 69,000 SF of new stand-alone retail **delivered** to the market and almost 560,000 SF **under construction** (the highest level since the end of 2008). **Net absorption** has been negative for the last three quarters and has averaged -132,000 SF per quarter over the past year.

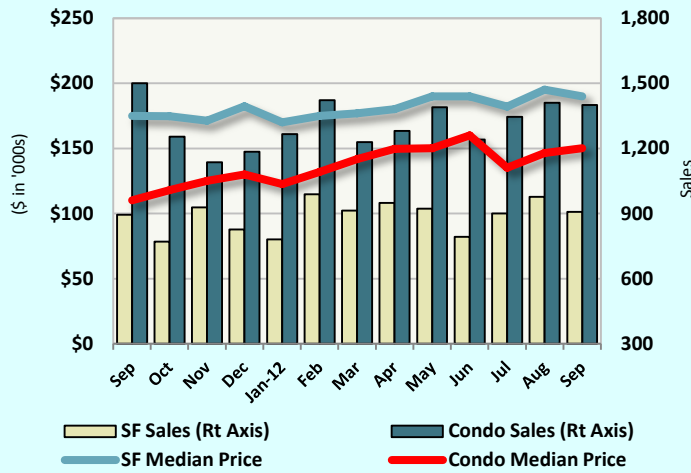
The **median time-on-the-market** for stand-alone retail space countywide was 9.3 months in the third quarter, and ranged from less than 4 months on Coral Way and in Aventura to more than 22 months in Hialeah Gardens and Miami Lakes. Other submarkets that were significantly higher than the County at large included the Biscayne corridor at 12.9 months, Northeast Dade at 13.7 months and Kendall at 14 months.



Miami-Dade County Housing Market

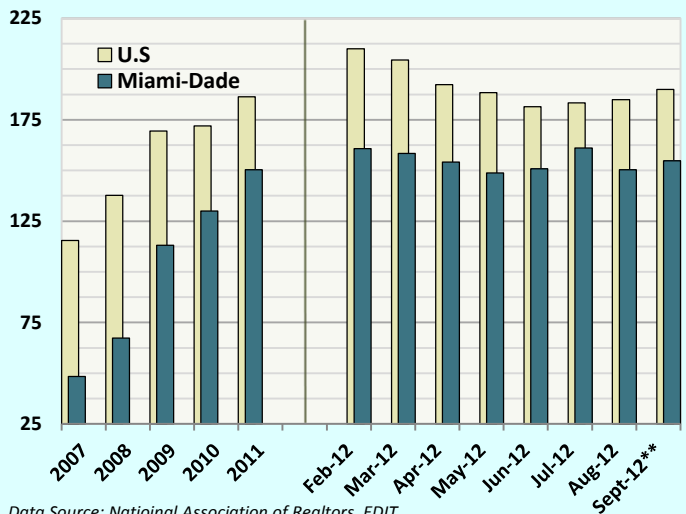


Existing Homes Sales: Seasonally Adjusted Sales and Median Price



Data Source: Florida Realtors.

Housing Affordability Index*



Data Source: National Association of Realtors, EDIT.

Miami-Dade Existing Home Sales

	Sep-12	% Chg from Aug-12	% Chg from Sep-11
Single Family Sales	908	-7.0%	1.6%
Med. Sales Price	\$190,000	-2.6%	8.6%
Condo Sales	1,400	-0.7%	-6.7%
Med. Sales Price	\$150,000	2.4%	36.2%

Data Source: FloridaRealtors.org

Housing Affordability* (based on Single Family Home Sales)

	Sep-12 (p)	% Chg from Aug-12 (p)	% Chg from Sep-11
Miami-Dade County Affordability Index	154.7	2.9%	1.8%
US Affordability Index	189.9	2.7%	-0.6%

Data Source: National Association of Realtors; EDIT.

* The index is a ratio of monthly median income over the P & I payment on a 30 yr fixed rate mortgage. A higher index means more affordable.

** Projection.

Housing Price Indices & Comparisons (2000=100)

Case-Shiller*	Aug-12	% Chg from Jan-00	% Chg from Jan-00
Miami MSA			
Low Tier (< \$154,383)	126.9	0.4%	9.6%
Middle Tier	142.5	0.2%	7.1%
High Tier (> \$268,965)	154.7	1.0%	5.6%
Aggregate Index	150.1	1.0%	6.7%
US 20 City Composite Index	142.7	0.5%	2.0%
Federal Housing Finance Agency**	2012:2Q	% Chg from 2012:1Q	% Chg from 2011:2Q
Miami HPI	152.8	0.1%	0.0%
Broward HPI	145.0	-0.9%	0.0%
Florida HPI	134.2	-1.1%	-1.8%

* Existing homes paired sales, seasonally adjusted.

** All transactions quarterly index, not seasonally adjusted.

Data Source: Standard & Poors; Federal Housing Finance Agency

Miami-Dade Foreclosures & Filings (Not seasonally adjusted)

	Sep-12	% Chg from Aug-12	% Chg from Sep-11
REO Foreclosures	1,012	119.0%	61.9%
Lis Pendens	1,995	-24.1%	13.2%

Data Sources: Miami-Dade Clerk of Courts, RealtyTrac.

30-Year Fixed Mortgage Rates

	Sep-12	Aug-12	Chg from Sep-11
Miami-Dade	3.80	3.82	-0.65
US	3.83	3.86	-0.60

Data Source: HSH Associates, Inc.

Building Permits (Units)

	Sep-12	% Chg from Aug-12	% Chg from Sep-11
Miami-Dade County			
3 Mo. Trailing Avg	278	6.5%	14.2%
US			
Units (000s)	0.0	0.0%	0.0%

Data Source: US Census Bureau.

Note: All numbers are seasonally adjusted unless otherwise indicated.

For additional information visit our website at:

<http://www.miamidade.gov/oedit/economic.asp>

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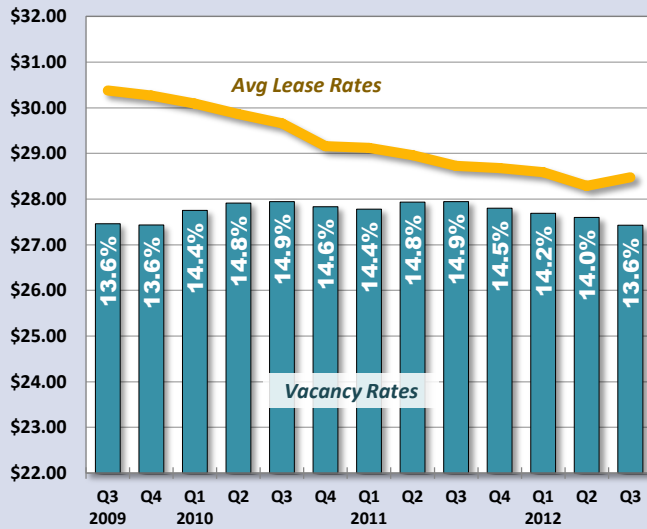
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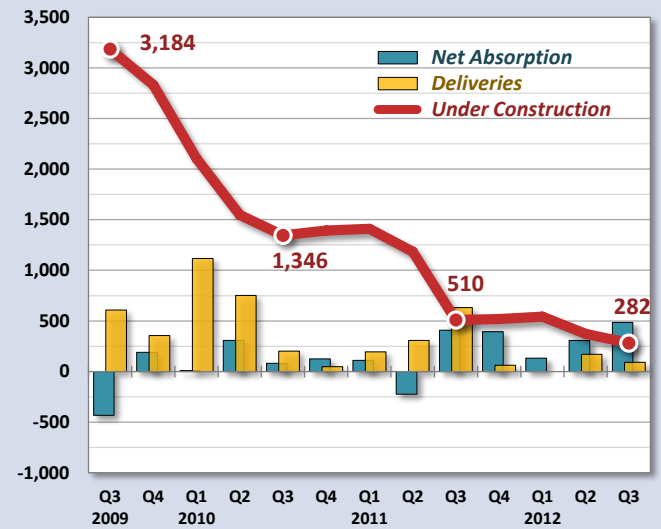


Miami-Dade Office Market Vacancy & Lease Rates



Data Source: Costar

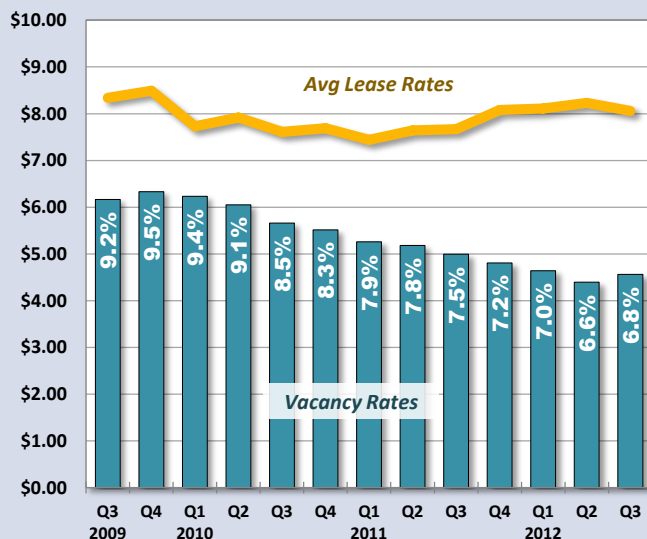
Miami-Dade Office Market Absorptions & Deliveries



Data Source: Costar

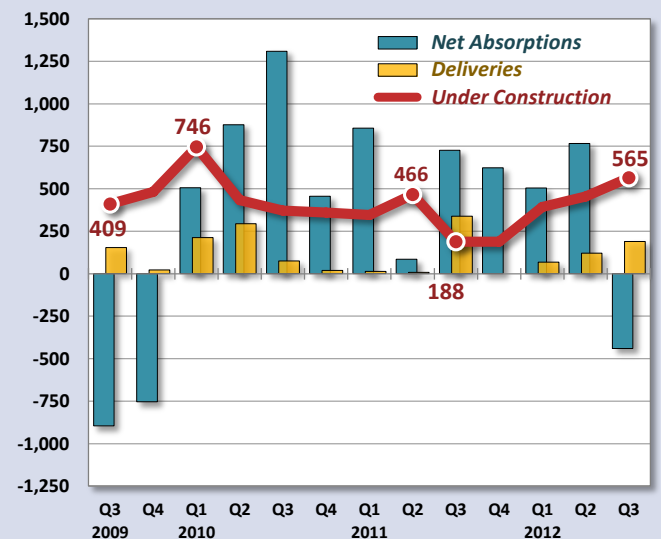
Square Feet (SF) are in '000s		2009	2010	2010 4Q	2011				2012		
Office Market	Rentable Building Area (SF)	96,788	98,877	99,036	99,014	99,198	99,721	99,747	99,571	99,693	99,762
	Vacancy Rate	12.8%	14.7%	14.6%	14.4%	14.8%	14.9%	14.5%	14.2%	14.0%	13.6%
	Available %	14.5%	16.8%	17.0%	16.4%	16.4%	16.8%	16.6%	16.4%	16.3%	16.0%
	Net Absorption (SF)	(408)	130	124	111	(223)	409	394	131	306	484
	RBA Deliveries (SF)	440	529	48	195	307	632	62	0	170	90
	Average Lease Rate (/fs)	\$30.64	\$29.69	\$29.16	\$29.12	\$28.96	\$28.73	\$28.68	\$28.59	\$28.29	\$28.48

Miami-Dade Industrial Market Vacancy & Lease Rates



Data Source: Costar

Miami-Dade Industrial Market Absorptions & Deliveries

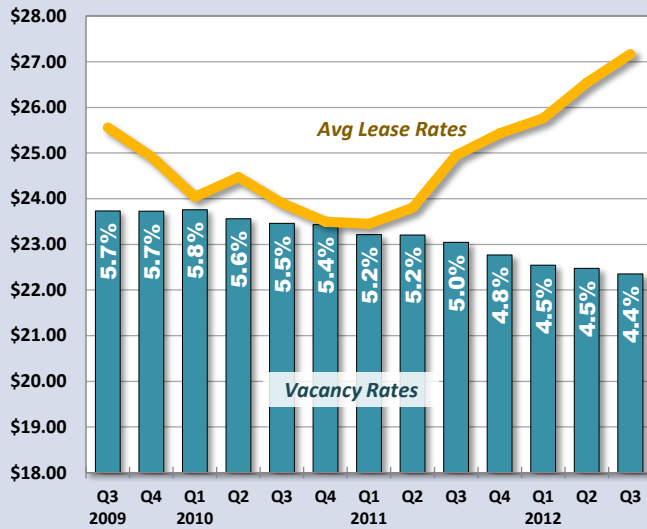


Data Source: Costar

Square Feet (SF) are in '000s		2009	2010	2010 4Q	2011				2012		
Industrial Market	Rentable Building Area (SF)	240,702	241,172	241,115	241,045	240,840	240,888	240,835	240,730	240,603	240,975
	Vacancy Rate	9.0%	8.8%	8.3%	7.9%	7.8%	7.5%	7.2%	7.0%	6.6%	6.8%
	Available %	11.7%	12.2%	11.9%	11.6%	11.4%	10.9%	10.5%	10.2%	9.9%	10.0%
	Net Absorption (SF)	(792)	786	455	857	85	726	623	504	766	(441)
	RBA Deliveries (SF)	612	150	20	14	8	338	0	68	121	190
	Average Lease Rate (nnn)	\$8.13	\$7.74	\$7.69	\$7.44	\$7.64	\$7.67	\$8.08	\$8.11	\$8.23	\$8.06

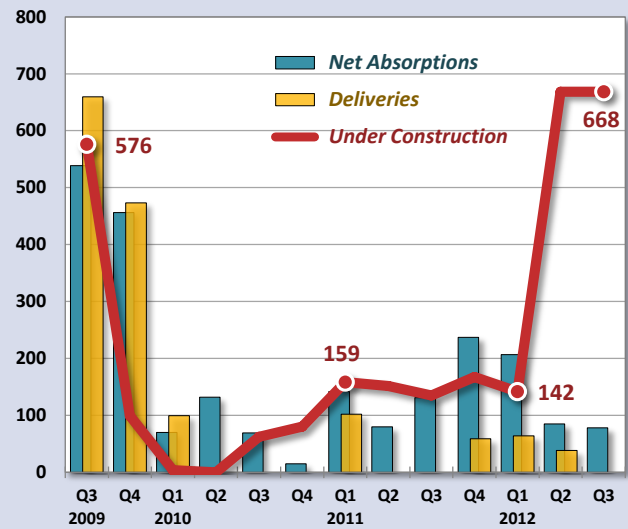
Miami-Dade County Commercial Real Estate (Cont'd)

Miami-Dade Retail in Centers - Vacancy & Lease Rates



Data Source: Costar

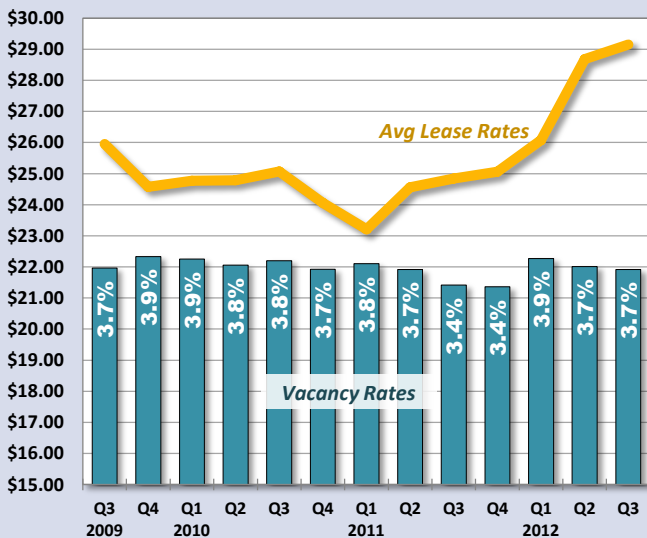
Miami-Dade Retail in Centers - Absorptions & Deliveries



Data Source: Costar

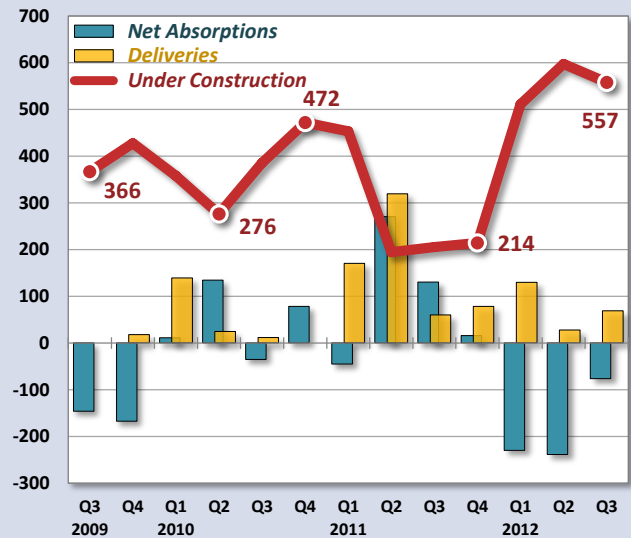
Square Feet (SF) are in '000s		2009	2010	2010 4Q	2011				2012		
Retail in Centers	Rentable Building Area (SF)	65,008	65,806	65,807	65,807	65,883	65,909	65,967	66,028	66,070	66,150
	Vacancy Rate	5.5%	5.6%	5.4%	5.2%	5.2%	5.0%	4.8%	4.5%	4.5%	4.4%
	Available %	6.0%	6.6%	6.5%	6.4%	6.6%	6.5%	6.6%	6.2%	6.1%	6.0%
	Net Absorption (SF)	105	72	15	142	80	131	237	207	85	78
	RBA Deliveries (SF)	325	25	0	102	0	0	59	64	38	0
	Average Lease Rate (nnn)	\$25.94	\$23.98	\$23.50	\$23.45	\$23.80	\$24.95	\$25.43	\$25.76	\$26.54	\$27.17

Miami-Dade Retail Not in Ctrs - Vacancy & Lease Rates



Data Source: Costar

Miami-Dade Retail Not in Ctrs - Absorptions & Deliveries



Data Source: Costar

Square Feet (SF) are in '000s		2009	2010	2010 4Q	2011				2012		
Retail Not in Ctrs	Rentable Building Area (SF)	59,819	59,859	59,876	59,888	60,108	60,076	60,075	60,138	59,804	59,793
	Vacancy Rate	3.6%	3.8%	3.7%	3.8%	3.7%	3.4%	3.4%	3.9%	3.7%	3.7%
	Available %	4.6%	4.9%	4.8%	4.8%	4.9%	4.9%	4.7%	4.8%	4.8%	5.1%
	Net Absorption (SF)	147	47	78	(45)	270	130	16	(230)	(239)	(76)
	RBA Deliveries (SF)	266	44	0	171	319	60	78	130	28	69
	Average Lease Rate (nnn)	\$26.26	\$24.67	\$24.06	\$23.21	\$24.56	\$24.84	\$25.06	\$26.08	\$28.68	\$29.15